Supreme Court, U. S.
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IN THE

Supreme Court of the United States

October Term, 1979

No. 79-1505

ALBERT C. DREBIN and BUDGET FILMS, INC., a California corporation,

Petitioners,

vs.

CYRIL RUSSELL, as TRUSTEE of the ROYAL ACADEMY OF DRAMATIC ART, THE RIGHT HONOURABLE ERIC GEORGE MOLYNEUX, BARON FLETCHER P.M., as TRUSTEE of the BRITISH MUSEUM, TERENCE DE VERE WHITE, as TRUSTEE of the NATIONAL GALLERY OF IRELAND and JANUS FILMS, INC., a corporation,

Respondents.

Petition for a Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit.

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Petition for a Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit.

Petitioners, ALBERT C. DREBIN and BUDGET FILMS, INC., ("PETITIONER," without regard to number) respectfully pray that a Writ of Certiorari issue to review the Judgment and Opinion of the United States Court of Appeals for the Ninth Circuit.

Opinion Below.

The Opinion of the Court of Appeals was entered on December 18, 1979 and appears as Appendix A. The decision is as yet unreported.

Petitioner's Petition for Rehearing was denied and that decision was entered on February 19, 1980 and this Petition for Certiorari was filed within . . . days of that date. A copy of the decision denying the Petition for Rehearing appears as Appendix B. Thereafter a Motion for Stay of the Mandate pending this Petition for Writ of Certiorari was granted on March 4, 1980, provided that this Petition is filed with this Court on or before March 26, 1980. A copy of the Order Staying the Mandate is attached as Appendix C.

Jurisdiction of this Court is invoked under Title 28 U.S.C. §1254(1).

Questions Presented.

This action arose from Petitioner's use of prints of the motion picture film "Pygmalion," and the resulting claim of copyright infringement by Plaintiffs who charged that although the film copyright had expired, there was a valid copyright which continued in effect as to the underlying work from which the film was partly adapted.

Prior to filing the U.S. District Court action which led to this Petition, one of the plaintiffs, Janus Films, Inc., had filed an action against Petitioner in the California Superior Court, case No. C 46560, charging Petitioner with "Unfair Competition" in its use of the said film prints. No mention was made in that action of any copyright on either the film or any purported underlying literary work. That case was filed in 1972 and persisted for about two and one half years.

After Janus failed in that attempt, the judgment having gone to Petitioner, it sought joinder of the other plaintiffs in this case and brought their claim to the United States Courts.

Petitioner defended the U.S. Court case essentially on two bases; (a) that the film, as apart from any contended underlying work, had fallen into the public domain, and

that although a valid copyright on an underlying work would operate to prevent the making of any NEW derivative work, owners of the original film upon which copyright had expired could continue using the prints of that film; and, (b) the plaintiffs were estopped from proceeding with their copyright action since plaintiff Janus Films, Inc. had stressed the absence of any copyright protection for over two and one half years during the State Court case, lending further encouragement to Petitioner's claim of public domain regarding the prints of the original film. This, of course, induced Petitioner to continue use of the prints from 1972 to the date of filing the District Court matter, thereby causing an escalation rather than a mitigation of damages.

Although there are a plethora of cases which hold that the termination of copyright on a derivative work will not affect the efficacy of any underlying copyright, no authority has been presented which supports the contention that the continued use of a film by its owner after that film copyright had expired will constitute an infringement upon the underlying work.

Plaintiffs had presented a number of cases to show that the lapse of a derivative copyright will not sanctify the making of a NEW WORK based upon the material still in copyright from which the film was adapted. Most notably among these cases was *G. Ricordi & Co. v. Paramount Pictures, Inc.*, 189 F.2d 469 (1951) cert. den. 342 U.S. 849 (1951).

The singular case which most closely approximates the dispute in this instance is *Rohauer v. Killiam Shows, Inc.*, 551 F.2d 484 (2d Cir. 1977). The Court in *Rohauer* dealt directly with the issue of continued use of prints of a film after its copyright had expired. That Court upheld such use and particularly decried the application of the *Ricordi* case, as well as all other cases which restrict the making of NEW

works, to the question of whether prints of expired copyright films may continue to be used.

Judgment was granted Plaintiffs in this case upon Summary Judgment. No evidence was required by the Court as to any ownership rights to the prints involved, nor was there any adjudication as to the ratio of the film content between public domain material and such material as Plaintiffs claimed to have stemmed from the alleged underlying work.

There was evidence that a great disparity existed in the prices charged for rental of the prints as between Petitioner and Janus Films, Inc. Petitioner had been renting prints of the film for $25.00 to various colleges and other public institutions, whereas Janus had been charging approximately $150.00 for the use of such prints. Prior to judgment in this case, a number of other film libraries were charging prices more closely approximated to Petitioner's fee than to Janus'. Of course, following judgment, all of these offerings were withdrawn from the market.

Although it was established that this film, "Pygmalion," is a great film classic and of extreme interest to students of cinematic arts and other cinemaphiles, it has not been among the more commercially successful films. The withdrawing of all competitive prints has permitted Janus to raise its rental price even above its previous high, thereby depriving many interested persons from access to this source of learning and entertainment.

It was also established that Plaintiffs did not represent the maker of the film but only the author of the alleged underlying work. Hence, no proprietory interest was shown to exist in the film product in Plaintiffs. On the other hand, such interest in Petitioner was never challenged. The questions presented in this Petition are:

(1) Whether the restriction of distribution of the film prints to a single distributor whose rental prices are abnormally high in comparison to previous rental market competition and where that single distributor had not been shown to hold any proprietary interest in the film product but only a claimed interest in an underlying work from which the film was allegedly partly adapted, and where Petitioner had been distributing the film prints predominantly among learning institutions and particular cinemaphiles who are particularly interested in those aspects of cinematic film art of which this particular film has much to offer, as well as for its entertainment values, and where this film copyright had long since expired after its original term of copyright with no renewal of copyright attempted, and where as a result of the Court action in rendering such judgment and restriction, Petitioner is denied the right to distribute its prints of the film for such educational and entertainment purposes, constitutes abridging the freedom of speech as protected by the First Amendment of the U.S. Constitution.

(2) Whether the purchase of the film prints of this motion picture which was no longer protected by copyright, vested in petitioner the rights to own, use, enjoy and otherwise participate in all aspects of the property in the prints, including the right to vend, lease and rent the same, and the Court Order requiring that the prints be delivered up to Plaintiff Janus Films, Inc., without just compensation and without a showing of paramount property rights to the physical property in the prints in any of the plaintiffs, constituted deprivation of property such as is forbidden by the due process clause of the Fifth Amendment to the U.S. Constitution.

(3) Whether the purchase and sale of film prints of the subject motion picture, whether or not by mesne conveyances, as between the holder of the film copyright at the

time of its validity, Loew's, Inc., and Metro-Goldwyn-Mayer Pictures, and Petitioner, as the vendee, operated to transfer property rights in and to the material object copyrighted, to wit; the subject prints, which rights permitted Petitioner to stand in the shoes of its predecessors, including the said copyright owners, and to enjoy all rights and privileges attendant thereto, as under the authority of the U.S. Copyright Act, Title 17, U.S.C. § 27, as the same was constituted at the time of such transaction, or prior to January 1, 1978.

Statement.

Petitioner appeals from a Summary Judgment rendered in favor of Plaintiffs for copyright infringement arising from Petitioner's use of film prints of a 1938 motion picture entitled "Pygmalion," the copyright on which film was admittedly allowed to lapse after the first copyright term in 1966, but which Plaintiffs claim is still protected by copyright allegedly on a play from which the film was partly adapted.

Plaintiffs claim interest in a copyright on the play "Pygmalion," written by George B. Shaw, originally copyrighted in 1913. (Clerk's Transcript "C.T." 69.) That copyright was renewed in 1941, (C.T. 68) and would have expired in 1969 but for the tolling of the expiration by Act of Congress. (C.T. 65.)

The film was presented by Metro-Goldwyn-Mayer ("M.G.M.") and copyrighted by M.G.M.'s parent company, Loew's, Inc., ("Loew's") in 1938. (C.T. 133.) For reasons *de hors* the record, the film copyright was not renewed after expiration of the first term in 1966.

Although Plaintiffs admit that "at all times since then (1966) the film as distinguished from the work on which it was based, has not enjoyed copyright protection," (C.T.

5) they claim that Plaintiff Janus Films, Inc., ("Janus") has the sole and exclusive right to distribute the film.

Petitioner, on the other hand, maintains that the prints were purchased in the good faith belief that in view of the copyright expiration on the motion picture, prints of *that* film, as opposed to any NEW films based upon 1913 play, are in the public domain and may be used by anyone who stands in the shoes of the film maker and holder of the original 1938 motion picture copyright, including purchasers of its prints.

No evidence of any kind was presented to the trial court that Plaintiffs, or any of them, had any agreement with either Loew's or M.G.M. regarding any rights to the film or to any of the film's prints, either during or following the copyright period. In fact, Plaintiffs admit that they lacked any knowledge of any such agreement in their answers to interrogatories served on July 7, 1976. (C.T. 273, No. 11.) Their only argument as to this issue is that they do have an agreement with Gabriel Pascal, whose name appears in the film credits as the "producer" but who neither made nor copyrighted the film.

Statement of the Case.

The complaint was filed on May 9, 1975, alleging one count of copyright infringement. (C.T. 1.) Petitioner was charged with renting prints of the film in its business as a 16mm film rental library, competing with Janus and others in the distribution of 16mm films to colleges and other institutions as well as to private individuals. No claim has ever been made against Petitioner that it had made any *New* film but that it was involved only in the distribution of prints of the 1938 film, "Pygmalion." Petitioner's answer was filed July 31, 1975 (C.T. 78) denying the infringement

allegations and further affirmatively alleging estoppel under the bar of laches.

Upon the bringing of a motion for summary judgment, Plaintiffs were given judgment on September 20, 1977 (C.T. 644, 650), reserving the issue of damages for further proceedings.

Factual Background Preceding This Action.

In 1972, Plaintiff Janus filed a complaint in the Los Angeles Superior Court of California against defendant Budget Films, Inc., (Petitioner) alleging causes essentially in the nature of "Unfair Competition,"(case No. C46560). Janus scrupulously avoided any reference to the term "copyright infringement," but alleged only that Janus was the "exclusive distributor of the motion picture photoplay produced in 1938 and entitled "Pygmalion." (C.T. 35.) Other causes of action were included, all relating to the general character of unfair competition but without any reference to any kind of copyright interests.

That case proceeded in the State Court for over two and one half years, during which Budget repeatedly attempted to bring to the Court's attention that it was improper to prosecute any action for such "exclusive rights" on a literary property that had at one time been copyrighted and which copyright had expired. That matter was finally resolved by summary judgment in Budget's favor. That judgment was upheld on appeal.

Janus then, together with the other plaintiffs, filed the present action in the U.S. District Court while the State Court case was still pending (C.T. 537, fn. 11) in 1975. At no time during the two and one half year pendency of the state action did any of the other plaintiffs surface, nor did any of them, including Janus, ever allege the existence of any copyright or any such interested copyright owners.

REASONS FOR GRANTING THE WRIT.

1. The Decisions of the District Court and the Ninth Circuit Court of Appeals Conflicts With a Decision of the Second Circuit Court of Appeals.

In *Rohauer v. Killiam Shows, Inc.*, 551 F.2d 484, 494 (2d Cir. 1977) the Court clearly stated:

> "A derivative work prepared under authority of the grant before its termination *may continue to be utilized under the terms of the grant after its termination,* but this privilege does not extend to the preparation after the termination of other derivative works based upon the copyrighted work covered by the termination grant." (Our emphasis.)

Judge Friendly in that case disposed of the suggestion offered by Plaintiffs that the case of *G. Ricordi & Co. v. Paramount Pictures, Inc.*, 189 F.2d 469 (1951) cert. den. 342 U.S. 849 (1951) supports their view that a valid underlying work copyright will prohibit continued use of prints of a film in which the copyright had terminated. There, the Court stated:

> "(T)he 'Madame Butterfly' case did *not* hold that the proprietor of the copyright in the new work was precluded from making copies of or permitting public performances of the opera, but merely held that he could not make *general* use of the protected underlying material for the creation of a motion picture, itself a new work based upon the underlying copyright which he no longer has authorization to use." (Our emphasis.)

The learned judges of the Ninth Circuit Court of Appeals, in distinguishing the facts of *Rohauer* from those of this case, ignored the parts of that holding upon which Petitioner relies. They emphasized the fact that Petitioner did not contribute to the production of the film "Pygmalion," and that

the *Rohauer* Court was concerned with those who did make such contributions. They further erroneously stressed that Killiam held a "still valid copyright in the film."(App.A,p. 7-8.) If that was the rationale for finding in Killiam's favor, there would certainly have been no need for any reference to the theory of continued use of prints *after termination* of the copyright. In fact, Killiam did *not* have a copyright, valid or otherwise. He did have, however, an agreement which purportedly would permit him to have the copyright at a future date. (At p. 491.) Judge Friendly stated that Killiam had the right to continue using the film prints under the former grant, just as any previous holder would have. In so ruling, Judge Friendly was not making law, he was merely reciting the law as enacted by Congress under the Copyright Revision Bill, 90 Stat. 2541 (1976). (At p. 494.)

It is certainly true that Budget Films does not have such a contract. However, it did buy and pay for prints which had been manufactured by Metro-Goldwyn-Mayer and which had been previously copyrighted by Loew's, Inc. As such a purchaser, it has the right to use the property purchased. The only thing that separates copyrighted property from any other property is the presence of a copyright. Once that copyright terminates, the physical property then becomes the same as any other property. The existence of a valid copyright on an underlying work will only prevent the making of a new derivative work, but, according to *Rohauer* and the U.S. Congress, it will not prevent the continued use of the pre-existing derivative copies.

Rohauer does not speak of the rights of successors-in-interest to prints. But it should follow that if M.G.M. has the right to continue using prints of "Pygmalion," so would have their vendees of such prints. One of the rights given to a copyright holder is the right to vend. If such rights are to persist after termination of the copyright, then sales of

prints made would vest in the vendees the right to continued use. Such a result comports with the basic rights regarding property ownership. (40 Cal. Jur. 2d §§7, 8, "Property."); *Bias v. Ohio Farmers Indem. Co.*, 28 Cal.App.2d 14, 81 P.2d 1057; *Dana v. Stanfords*, 10 Cal. 269; *Barry v. Beamer*, 8 Cal.App. 200, 96 Pac. 373.

The U.S. Copyright Act, as constituted during all relevant times, makes the separation of rights between the copyright interest and physical property interest clear.

Title 17, U.S.C. §27 states:

> "The copyright is distinct from the property in the material object copyrighted, and the sale or conveyance, by gift or otherwise, of the material object shall not of itself constitute a transfer of the copyright, nor shall the assignment of the copyright constitute a transfer of title to the material object; but nothing in this title shall be deemed to forbid, prevent, or restrict the transfer of any copy of a copyrighted work, the possession of which has been lawfully obtained."

Hence, if following expiration of the film copyright, M.G.M. or Loew's saw fit to make such transfers of prints, whatever possessory rights held by the transferor would, *a fortiori*, follow the transfer to the transferee.

The conflict of holdings as outlined above, is of such divisiveness as to require this Honorable Court to declare the rule of law to be followed uniformly.

2. The Ruling of the Ninth Circuit Court of Appeals Deprives Petitioner of Its Right to Enjoy Its Property and Is Therefore in Violation of the Due Process Clause of the U.S. Constitution.

The Congressional Copyright Revision Act, *id.*, did not speak of any requirement that there be an existent copyright as interpreted by the Ninth Circuit, nor did it refer to the

presence of an agreement, such as was the case in *Rohauer*. It merely recited that "a derivative work prepared under authority of the grant before its termination may continue to be utilized under the terms of the grant after its termination." Such also was Judge Friendly's reference to that Act in *Rohauer*. Hence, for the Court to hold that a "valid copyright" would be a necessary prerequisite, not only confronts the Congress and *Rohauer* in opposition, but it unreasonably deprives Petitioner of its property rights in disregard of facts which would compel a contrary conclusion, thus denying Petitioner due process of law.

> "Fairness of procedure is due process in the primary sense." *Fitzgerald v. Hampton*, 467 F.2d 755, 152 U.S. App. D.C. 1 (1972), Stay granted 93 S.Ct. 549, 409 U.S. 1055, 34 L.Ed.2d 509.

In disposing of the property issue of this case by summary judgment, without concern for the ownership rights to the physical property of the film prints themselves, the Court was not even giving service to its own rationale. Even if the Court correctly ruled that in order for the *Rohauer* holding and 90 Stat. 2541 (1976) of the Copyright Revision Bill to apply, there would need to be some showing of either some copyright interest or some contribution to the making of the film on the part of the Petitioner, there would still have had to have been some evidentiary determination as to what, if any, rights Petitioner may have had in succession under the First Sale concept of Title 17, U.S.C. § 27. Obviously, such a determination could only be made after a factual test. Such a test was foreclosed by the granting of summary judgment.

> "The person aggrieved . . . has a constitutional right to a trial type hearing on issues of adjudicative fact." *Coral Gables Convalescent Home, Inc., v. Richardson*, 340 F.Supp. 646 (D.C. Fla. 1972).

> "Property owner is entitled to his day in court." *Mitchell v. McDonald*, 136 P.2d 536, 114 Mont. 292.

Summary judgment granted on the mere legal conclusion that the underlying work was copyrighted and that the plaintiffs were successors-in-interest to that copyright is not sufficient to deny Petitioner the right to enjoy its property interests in the prints, where the copyright on the film had expired and the acquisition of the prints are presumed proper and lawful. This much is conceded by the Court:

> "The source of the 'Pygmalion' film prints which Budget rents was not before the trial court and is not relevant to our consideration of this case. *We assume that Budget lawfully, apart from the copyright considerations, acquired the prints it has distributed.*" (Opinion, App. A, p. "2" footnote 4.) (Our emphasis.)

Then, the Court made an arbitrary determination which negatived the presumption of lawful acquisition:

> "Defendants neither stand in the shoes of, nor are in privity with, anyone else, such as Pascal's legatees, MGM or Loew's, who might arguably still enjoy some right of distribution." (Opinion, App. A, p. "2" footnote 3.)

The above two observations conflict with each other. If the prints were acquired "lawfully," there can be no presumption of lack of privity. It is too basic for controversy that a conveyance of property without reservation or restriction, conveys not only the property but all rights attendant and appurtenant thereto. Hence, without more, if a presumption of lawful acquisition is made, an accompanying presumption that all rights to the property were likewise acquired must also be made if no reservations or restrictions were imposed upon the property acquisition.

3. The Court Ruling Is a Constructive Abridgment of Freedom of Expression as Interpreted Under the Freedom of Speech Clause of the U.S. Constitution.

Motion pictures have long been considered a means of transmitting artistic, cultural and educational expression in addition to providing entertainment. As such, films fall under the protection of the "Speech" clause of the U.S. Constitution.

> "The showing of motion pictures is a form of expression protected by this clause." *Northeast Theatre Corp. v. Jordan,* 445 F.Supp. 744 (D.C. Mass. 1978); *City of Chicago v. Groffman,* 368 N.E.2d 891, 68 Ill.2d 112 (1977).

Although it may be said that in prohibiting further distribution of the film prints by Petitioner, there is no curtailment of access of the film to the public, this is not entirely the case. While it may be true that Janus Films, Inc. may continue distributing their prints, it was established that the rental prices charged by Janus are grossly in excess of the price charged by Budget. At the time of the instituting of this case, Budget was charging $25.00 whereas Janus was charging $150.00 for minimum rental. It is safe to say that a substantial segment of the population which can afford payment of $25.00 may not be able to afford $150.00 for access to such prints. There is the further reasonably probability that since all competition has been extinguished as a result of the lower court ruling in this case, Janus' rental prices have substantially increased.

If an appreciable segment of the public is denied access to this classic film because of excessive rental cost, and that situation is brought about directly as a result of the ruling in this case, and it is further established that the ruling is not supportable at law, then the Court, as an instrument of the Government, will have directly abridged the freedom

of expression manifested by reasonable access to the subject matter.

It is not helpful that the court pointed out that "(t)he underlying statutory copyright in the instant case will expire in 1988. After that time Budget may freely distribute its copies of the 1938 film." (Opinion, App. A, p. 11.) Since the film prints have been ordered to be delivered up to Janus forthwith, and such delivery has been complied with, the prints are no longer Budget's to use in 1988 or at any other future date, unless this situation is relieved by this Court. Further, such an eight year delay would in itself constitute a substantial abridgment of the right of expression.

While applications for Writs on this issue regarding motion pictures usually involve obscenity, it should be as persuasive to ask that the same consideration be given to a fine example of the motion picture arts and sciences such as the motion picture "Pygmalion."

4. The Judgment Below Creates a Monopoly Situation Not Contemplated by the U.S. Copyright Act.

A film print is property in the general meaning of the word. (Title 17 U.S.C. §27.) Were it not for the U.S. Copyright Act, such property would be subject to the exact same rights as any other property, *i.e.*, to have, hold, enjoy, vend, lease, use, trade, or to do anything else to which the particular property may be amenable.

The Copyright Act intervenes against such rights in the case of film prints, but only to the extent that the statute specifically authorizes. The extent of this intervention is not to prevent all rights and benefits of ownership in those other than the copyright holder and his licensees, but merely to reserve certain of those rights and benefits when the statutory

formalities have been perfected. (Title 17, U.S.C. §1, *et seq.*)

There is no doubt that §27 clarifies the division of rights as between the physical property rights and those rights attendant to the copyright interest. This section makes it clear that either the copyright interest or the physical property interest may be transferred to another, and that the transfer of one interest will not affect the continued effectuality of the other. It is further clear that when a film copyright is permitted to lapse for want of renewal after twenty-eight years, the effectiveness of that particular copyright ceases. (Title 17, U.S.C. §24.)

However, it is equally well established that the extinguishment of a film copyright will not cause the extinguishment of a copyright on any underlying work upon which the film may be based in whole or in part. *G. Ricordi & Co. v. Paramount Pictures, Inc., supra.* Thus, the failure of copyright on a film will not affect the right of the underlying work owner as to enforcing rights against infringement by the making of a NEW unauthorized film.

In fact, a new motion picture was made based upon the 1913 play, after expiration of the copyright on the 1938 film. The new film was entitled, "My Fair Lady." Presumably, license had to be obtained for the right to make this new work.

In contrast, all rights regarding the 1938 production had presumably been negotiated prior to its undertaking. Even though no facts are before the Court concerning the terms of such an agreement, it is the law that distribution may be continued under the terms thereof so long as nothing new is added which dips into the 1913 work. This, as stated, would inure to the purchasers of prints as successors-in-interest. To hold differently, would not only impinge upon Stat. 90 of the Copyright Revision Act, *supra*, and the

holding of the *Rohauer* case, but also Title 17, U.S.C. § 24.

There is little dispute that the Copyright Act carves out some valuable rights from the concept of free alienation of privately held property. The justification for this deprivation is that it serves to encourage the artists, authors and producers to create and undertake their productions, and that the monopoly established in their favors is a LIMITED one. In this instance, the author was paid for the license granted, (presumably) and the producer was compensated for the production, on which it chose to limit exclusivity for only one copyright term, (presumably).

To deprecate the interests of the physical property owner in favor of the holder of copyright, not on the physical property, but on an underlying work, beyond the logical and intended meaning of the statutes, is to extend the monopolistic benefits of copyright past any really meaningful parameters.

5. The Public Will Be Deprived of Access to Many Other Film Classics if the Present Holding Is Not Reversed.

Judicial Notice will easily confirm that many of the most important motion picture classics have been made available to public view only because films were readily available under the concept of public domain. If duties were required of each of the distributors of such films to search beyond the information from the copyright office that the film copyright had expired and that no related copyright is disclosed, the onus would be so great as to discourage most, if not all, of the distributors from considering such films. In many instances, there would be no "related copyright" and no claimant to any underlying work standing in the wings, but who would take that chance?

In this case, Petitioner did rely upon the report of the Copyright Office, in a communication as follows:

> "Search in the Renewal Indexes under the above name and title ('Pygmalion') failed to disclose any renewal registration *relating to this entry*." (C.T. 133.) (Emphasis ours.)

Despite Janus' claim of having spent thousands of dollars to obtain the contract with the claimants to the underlying work copyright, classics such as "Pygmalion" simply are not raving commercial successes, as evidenced by the marginal returns to Petitioner from its distribution. They are valuable to film distributors as prestige films only if many varieties are libraried and the costs to obtain each is not excessive. If there is a high risk of litigation in each venture, such as was the case in this matter, few, if any would take such risks. The public would therefore be the loser and many great film classics would be left to decay in remote and secluded collection vaults.

For the above reasons, a Writ of Certiorari should issue to review the judgment and opinions of the Ninth Circuit.

Respectfully submitted,

GERALD M. SINGER,

Counsel for Petitioner.

APPENDIX A.

Opinion.

United States Court of Appeals for the Ninth Circuit.

Cyril Russell, etc., et al., Appellees, v. Daniel A. Price, et al., Defendants, and Albert C. Drebin, etc., Appellants. No. 77-3466. Cyril Russell, etc., et al., Appellants, v. Daniel A. Price, et al., Defendants, and Albert C. Drebin, et al., Appellees. No. 78-2703. Cyril Russell, etc., et al., Appellees, v. Daniel A. Price, et al., Defendants and Albert C. Drebin, etc., et al., Appellants. No. 78-2763.

Filed: Dec. 18, 1979.

Appeal from the United States District Court for the Central District of California.

Before: GOODWIN and HUG, Circuit Judges, and THOMPSON*. District Judge.

GOODWIN, Circuit Judge:

Defendants distributed copies of the film "Pygmalion", the copyright for which had expired. They were sued by the owners of the renewal copyright in the George Bernard Shaw play upon which the film was based. Defendants appeal the resulting judgment for damages and attorney fees.

Plaintiffs cross appeal, claiming that the court erred in not awarding them statutory "in lieu" damages.[1] We affirm.

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*The Honorable Gordon Thompson, Jr. United States District Judge for the Southern District of California, sitting by designation.

[1]Defendants had also challenged in their notice of appeal the damages portion of the judgment. They argued that the district court should have assessed as damages their self-calculated and unverified net profits rather than the gross receipts they had initially estimated. This theory did not survive oral argument when counsel conceded that the court's choice of the measure of damages was well within its discretion.

In 1913 Shaw registered a copyright on his stage play "Pygmalion". The renewal copyright on the play, obtained in 1941 and orginially scheduled to expire in 1969, was extended by Congressional action to the year 1988. Shaw died in 1950 and the plaintiffs, except for Janus Films, are current proprietors of the coypright. Janus Films is a licensee.

In 1938 a derivative version of the play, a motion picture also entitled "Pygmalion", was produced under a license from Shaw; neither the terms nor the licensee's identity appear in the record.[2] The film was produced by Gabriel Pascal, copyrighted by Loew's, and distributed by Metro-Goldwyn-Mayer ("MGM"). For undisclosed reasons, the film's copyright was allowed to expire in 1966. When and if the original film rights agreement expired is also not disclosed.[3]

In 1971 the play's copyright proprietors licensed Janus Films to be the exclusive distributor of the film "Pygmalion". Shortly after discovering in 1972 that Budget Films was renting out copies of the 1938 film,[4] Janus brought action against Budget in a California state court, alleging state

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[2]In their intial brief on appeal, plaintiffs cite *Speelman v. Pascal*, 10 N.Y.2d 313, 178 N.E.2d 723, 724 (1961), to support their statement that it was Gabriel Pascal who obtained the movie rights under an agreement with Shaw.

[3]Defendants make much of the failure to bring the original license terms before the trial court, questioning the right of the play's copyright holders in 1971 to license anyone as the exclusive distributor of the film. However, we fail to see how a question about the enforceability of Janus' distribution contract — which is not an issue in this case — enhances defendants' position here. Defendants neither stand in the shoes of, nor are in privity with, anyone else, such as Pascal's legatees, MGM, or Loew's, who might arguably still enjoy some right of distribution.

[4]The source of the "Pygmalion" film prints which Budget rents was not before the trial court and is not relevant to our consideration of this case. We assume that Budget lawfully, apart from copyright considerations, acquired the prints it has distributed.

causes of action — in particular, unfair competition. That case ended in Budget's favor upon a determination that the action was essentially one for copyright infringement over which the state court lacked jurisdiction. The English copyright proprietors then executed a power of attorney in favor of their licensee Janus, and Janus[5] promptly brought this action in federal district court in May 1975.

I. LACHES

The defendants contend that the doctrine of laches barred the infringement action. The question of laches is addressed primarily to the discretion of the district court. *Gardner v. Panama Railroad Co.*, 342 U.S. 29, 30 (1951); *International Telephone & Telegraph Corp. v. General Telephone & Electronics Corp.*, 518 F.2d 913, 926 (9th Cir. 1975). Rejection of the laches defense in this case was not an abuse of discretion.

Although proceeding on a different theory at the time, Janus instituted state court proceedings shortly after it learned that Budget was renting out the film "Pygmalion". Thus, defendants had early notice that their activities were objected to on legal grounds. But they claim that Janus misled them and the state court for two and a half years by steadfastly refusing to acknowledge the copyright nature of the action so as to keep it in state court, and that the other plaintiffs sat back on their copyright claim all that while, choosing instead to see how Janus would fare in the California courts. Only when the state court action was dismissed on the ground that the action was in fact one for infringement of copyright rather than for unfair competition did the plaintiffs file the present copyright action. Mean-

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[5]The English copyright holders are also named as plaintiffs in this action but Janus appears to be the real party in interest.

while, the defendants complain that they had incurred unnecessary expenses in the state litigation and had been falsely reinforced in their belief that no valid copyright protected the playwriter's rights in the film "Pygmalion" on which the film copyright had expired.

Even if the plaintiffs had followed the strategy alleged, and if it somehow offends equity,[6] as defendants insist, the detriment Budget claims to have suffered as a result of plaintiffs' delay in bringing this action does not constitute prejudice within the meaning of the laches doctrine. Defendants at no time changed their film distribution activities in reliance on Janus' conduct. Defendants cite no case in which a false sense of security alone has been enough to bar an otherwise proper claim.[7] Nor were the expenses and difficulties of the earlier litigation incurred in reliance on

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[6]We are not aware of enough of the facts surrounding the earlier litigation to criticize what plaintiffs have done. However, Janus cannot be said to have lacked diligence in seeking a remedy or to have acquiesced in any way in the alleged wrong. *Gilliam v. American Broadcasting Cos., Inc.*, 538 F.2d 14, 25 (2d Cir. 1976); *Southern Pacific Co. v. Bogert*, 250 U.S. 483, 488-90 (1919). In *Southern Pacific*, minority shareholders finally hit upon a successful remedy twenty-two years after the majority's reorganization agreement which cut the minority out of its share of the profits. Laches was held not to bar the action to impose a constructive trust even though plaintiffs' earlier position in its many unsuccessful court attempts might have been justifiably viewed as incompatible with the later assertion of a trust relationship. (*See* McReynolds, J., dissenting, 250 U.S. at 500.)

Janus filed the instant copyright action promptly after dismissal of its state suit and its receipt of power of attorney from the copyright proprietors. The two actions are not inconsistent. As the holder of an exclusive license from the copyright proprietors, who are joined in this action solely for standing purposes, Janus has been and remains the only interested person from the time it first discovered Budget's distribution of the film. And it has "ever since * * * persisted in the diligent pursuit of a remedy * * *." *Southern Pacific Co. v. Bogert*, 250 U.S. at 489.

[7]We cannot help but doubt defendants' claimed "sense of security". They caused the state case to be dismissed precisely because they believed it to be a disguised copyright action.

plaintiffs' inaction. If plaintiffs had proceeded in both state and federal courts simultaneously, defendants would have been in no better position. This is not a case where copyright holders speculated on the probable success of a costly but unauthorized exploitation of work before asserting their rights in it. *See Hampton v. Paramount Pictures Corp.*, 279 F.2d 100, 105 (9th Cir.), *cert. denied*, 364 U.S. 882 (1960)[8]; *Universal Pictures Co. v. Harold Lloyd Corp.*, 162 F.2d 354, 372 (9th Cir. 1947). In fact, the copyright proprietors here knew the value of their property and were themselves exploiting it through the licensing arrangement with Janus. The laches defense was properly rejected.

II. INFRINGEMENT

Defendants' main contention on the primary issue in this litigation is simply stated: Because the film copyright on "Pygmalion" has expired, that film is in the public domain, and, consequently, prints of that film[9] may be used freely by anyone. Thus, they argue that their renting out of the film does not infringe the statutory copyright on Shaw's play.

Defendants rely almost entirely on the recent opinion of Judge Friendly in *Rohauer v. Killiam Shows, Inc.*, 551 F.2d 484 (2d Cir.), *cert. denied*, 431 U.S. 949 (1977). However,

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[8]Even in *Hampton*, where plaintiff copyright holders delayed thirteen years after the infringer's commercial exhibition of the film before taking *any* legal action, laches did not bar an injunction against future unauthorized use. *Hampton v. Paramount Pictures Corp.*, 279 F.2d 100, 105 (9th Cir.), *cert. denied*, 364 U.S. 882 (1960).

[9]Defendants admit that any new motion picture or other derivative work produced without the permission of the proprietors of the copyright on Shaw's play would infringe that underlying copyright.

in so relying, they ignore or fail to appreciate the significant differences between that case and this one.[10]

In *Rohauer* the author of a novel which was statutorily copyrighted in 1925 assigned exclusive movie rights to one Moskowitz, specifically promising in the contract to reassign to him or his successor in interest all film rights for the novel's copyright renewal term. A successful silent film was made under that assignment and separately copyrighted in 1926 by an assignee of Moskowitz. Unfortunately, the novel's author died prior to the end of the novel's first copyright term. The author's daughter, as statutory beneficiary of the right to renew, inherited the renewal term free from the film license granted by her mother.[11] The daughter then granted exclusive movie and television rights for the renewal term to Rohauer. Killiam Shows, Inc., successor in interest to the 1926 film's renewal copyright, allowed the film to be shown on educational television without Rohauer's or the daughter's authorization, whereupon the latter two brought a copyright infringement action against Killiam.

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[10]We express no opinion about the merits of *Rohauer v. Killiam Shows, Inc.*, 551 F.2d 484 (2d Cir.), *cert. denied*, 431 U.S. 949 (1977), which has been the subject of adverse critical commentary. *See* 1 *Nimmer on Copyright* § 3.07[A] at 3-25-3-32 (1979); Comment, *Derivative Copyright and the 1909 Act — New Clarity or Confusion?*, 44 Brooklyn L. Rev. 905 (1978).

[11]The optional renewal term under the Copyright Act of 1909, 17 U.S.C. § 24 (1976), was considered to be a "new estate", so that the proprietor of the renewal term copyright could exploit it free of any rights, interests or licenses assigned or made during the copyright's initial term. *See, e.g., G. Ricordi & Co. v. Paramount Pictures, Inc.*, 189 F.2d 469, 471 (2d Cir.), *cert. denied*, 342 U.S. 849 (1951); *Miller Music Corp. v. Daniels, Inc.*, 362 U.S. 373 (1960).

The Second Circuit held on those facts that the derivative film's independent copyright entitled the defendant to continue showing the film without infringing rights under the renewal copyright in the underlying novel. Defendants here understand by this that a derivative copyright covers more than a new matter which the producer of the derivative work added to the underlying work. Thus, they say that when the derivative copyright expires the whole product enters the public domain free of the monopoly protection of any subsisting copyright in the underlying work. The court's opinion in *Rohauer*, however, makes it clear that this is simply not the case.

First, the *Rohauer* court placed heavy emphasis on the nongratuitous intent of the nonsurviving author to convey film rights in the novel's renewal term, a promise which had been bargained for in the initial assignment.[12] The defendants here have never bargained with Shaw or his successors for anything, nor do they enjoy any relationship with anyone who had so bargained.

A second important difference between the favored party in *Rohauer* and the defendants here is that the defendant Killiam there was the proprietor of the still valid copyright in the film. By virtue of that copyright, Killiam was held

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[12]It is on this basis that the court in *Rohauer v. Killiam Shows, Inc.*, *supra* note 10, distinguished *Ricordi*, *supra* note 11, and *Fitch v. Shubert*, 20 F. Supp. 314 (S.D.N.Y. 1937). *Rohauer*, 551 F.2d at 490-91. The court noted, for example, that the "fundamental reason" *Ricordi's* holding, that the renewal copyright in the derivative work extended only to the new matter in that version, was not determinative in *Rohauer* was that in the former the assignment agreement

> "* * * did not purport to run beyond the original term of [the] copyright on the novel * * *. To conclude that the renewal term of a copyright is a new estate free from previous licenses is one thing when, as in *Ricordi*, the parties have never bargained for renewal rights, and another when, as in the [*Rohauer*] case * * *, the assignment agreement explicitly included rights to the derivative work during the renewal term." 551 F.2d at 491.

to have sufficient rights in the matter derived from the novel to continue showing it as part of the film.[13] A prominent rationale in that case for awarding those limited rights in favor of the owner of the derivative copyright is the protection and encouragement of the "large and independently copyrightable" "literary, musical and economic" contributions of the "person who with the consent of the author has created an opera or a motion picture film" from a copyrighted novel. 551 F.2d at 493. However, whatever place sympathy for the position of creators of derivative works might properly have under the 1909 Copyright Act,[14] the defendants here can take advantage of none, having contributed nothing to the production of the film "Pygmalion".

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[13]We note that the so-called "new property rights" theory which *Rohauer v. Killiam Shows, Inc., supra* note 10, seems partially to adopt, had been consistently rejected in earlier decisions as well as by the nation's foremost authority on copyright law. *G. Ricordi & Co. v. Paramount Pictures, Inc., supra* note 11; *Fitch v. Shubert, supra* note 12; *Gilliam v. American Broadcasting Cos., Inc., supra* note 6; 1 *Nimmer on Copyright* §3.07[A] at 3.23-24 (1979). *See also* Comment, *supra* note 10, at 921-26. Professor Nimmer states the theory as follows:

> "* * * [O]nce a derivative work is created pursuant to a valid license to use the underlying material, a new property right springs into existence with respect to the entire derivative work, so that even if the license is thereafter terminated the proprietor of the derivative work may nevertheless continue to use the material from the underlying work as contained in the derivative work." §3.07[A] at 3.23 (footnotes omitted).

[14]This case arose under the Copyright Act of Mar. 4, 1909, codified at 17 U.S.C. §§1-216 (1976). Thus, all references are to that version of the copyright statute unless otherwise noted.

In 1976 the 1909 Act was revised in its entirety, superseded by the Copyright Act of Oct. 19, 1976, now codified at 17 U.S.C. §§101-810 (Supp. 1977), which became wholly effective as of Jan. 1, 1978. In contrast to the earlier act, the 1976 Copyright Act expressly allows use of derivative works "under the terms of the grant" upon termination of the license under which they were produced. 17 U.S.C. §203(b)(1) (Supp. 1977). Although inapplicable to the case before him, Judge Friendly took this to be "evidence of a belief on the part of Congress of the need for special protection for derivative works." *Rohauer v. Killiam Shows, Inc.*, 551 F.2d at 494.

Nor is it apparent under *Rohauer* that such sympathy should have any place at all when the independent copyright on the derivative work has been allowed to expire. For then there is no longer a conflict between two copyrights, each apparently granting "their proprietors overlapping 'exclusive' rights to use whatever underlying material * * * had been incorporated into the derivative film." Comment, *Derivative Copyright and the 1909 Act — New Clarity or Confusion?*, 44 Brooklyn L. Rev. 905, 912 (1978) (footnote omitted). Thus, the persons who might have had standing to raise the *Rohauer* claim here could, consistently with that case, be held to have forfeited it by their failure to renew the derivative copyright. Defendants here could never have laid claim to the right recognized in *Rohauer*, and we perceive no reason to award it to them at the expense of the holders of the renewal copyright which still covers the Shaw play.

Thus, we reaffirm, without finding it necessary to repeat the rationale, the well-established doctrine that a derivative copyright protects[15] only the new material contained in the derivative work, not the matter derived from the underlying work. 1 *Nimmer on Copyright* § 3.04 (1979). Thus, although the derivative work may enter the public domain, the matter contained therein which derives from a work still covered by statutory copyright is not dedicated to the public. *G. Ricordi & Co. v. Paramount Pictures, Inc.*, 189 F.2d 469 (2d Cir.), *cert. denied*, 342 U.S. 849 (1951); *Filmvideo*

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[15]It is not at all apparent that the Second Circuit would allow its holding in *Rohauer v. Killiam Shows, Inc.*, to extend the limited monopoly permitted by the underlying copyright despite the fear expressed in the student comment, *supra* note 10, at 921. The protection advanced in that case was no doubt limited to the derivative copyright owner's continued use of the derivative work, and not the right to prevent others from using the underlying work once that work falls into the public domain.

Releasing Corp. v. Hastings, 426 F. Supp. 690 (S.D.N.Y. 1976); *Grove Press, Inc. v. Greenleaf Publishing Co.*, 247 F. Supp. 518 (E.D.N.Y. 1965); 1 *Nimmer on Copyright* § 3.07[C] at 334 (1979). The established doctrine prevents unauthorized copying or other infringing[16] use of the underlying work or any part of that work contained in the derivative product so long as the underlying work itself remains copyrighted. Therefore, since exhibition of the film "Pygmalion" necessarily involves exhibition of parts of Shaw's play, which is still copyrighted, plaintiffs here may prevent defendants from renting the film for exhibition without their authorization.

Defendants seek finally to avoid this result by citing *Classic Film Museum, Inc., v. Warner Bros., Inc.*, 597 F.2d 13 (1st Cir. 1979), *aff'g* 453 F. Supp. 852 (D.Me. 1978). That decision concerned "the legal effect of an expired statutory copyright on work derived from an underlying work in which there exists a common-law copyright". 597 F.2d at 13. Although defendants would have us ignore the major difference between an underlying common-law copyright and an underlying statutory copyright (the former extending in perpetuity,[17] the latter restricted in length) that

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[16]A copyright proprietor has an exclusive monopoly over *all* uses of the protected work, including the right to copy, print, vend, publish, make other versions of, perform or exhibit the work. 17 U.S.C. § 1. Thus, we find Judge Friendly's attempt to limit *G. Ricordi & Co. v. Paramount Pictures, Inc., supra* note 11, to its specific facts unconvincing. *Rohauer v. Killiam Shows, Inc.*, 551 F.2d at 493. The 1909 Act made no distinction between a copyright owner's right to authorize copying or exhibition of the work as it appears in an existing derivative work and the right to authorize creation of a new derivative work. Nor did the court in a case involving essentially the same question as that which confronts us. *Filmvideo Releasing Corp. v. Hastings*, 426 F. Supp. 690 (S.D.N.Y. 1976).

[17]A common-law copyright, which exists from the time the original work is created, was lost only upon the proprietor's publication of the matter protected. 1 *Nimmer on Copyright* § 2.02 at 2.16 (1979). Common-law copyright is no longer recognized under the new Act, 17 U.S.C. § 301 (1978), although one existing prior to January 1, 1978 may continue to receive lengthy protection. 17 U.S.C. §§ 303, 302 (1978). *See, e.g., Classic Film Museum*, 453 F. Supp. at 856 n.4.

difference is the linchpin of the court's holding in *Classic Film* that person could exhibit the motion picture "A Star is Born", on which the film copyright had expired, without infringing the common-law copyright in the unpublished screenplay and musical score from which the film was derived. The court found the *Ricordi* doctrine inapplicable for the following reason:

> "* * * [A]ny protection offered by the *Ricordi* doctrine was limited to the fixed life of the underlying copyright (28 years plus the renewal period). The *Ricordi* doctrine is not equally applicable where there is an underlying common-law copyright which might extend indefinitely. Such unending protection of the derivative work would allow the *Ricordi* exception to swallow the rule of limited monopoly found in the constitution and copyright statutes." 597 F.2d at 14.

The underlying statutory copyright in the instant case will expire in 1988. After that time Budget may freely distribute its copies of the 1938 film. The result we reach here does not conflict with the limited monopoly policy rooted in the Copyrights Clause of the constitution and advanced in the congressional acts.

For the foregoing reasons, we conclude that defendants' activities here infringed the subsisting copyright in Shaw's play and were properly enjoined.

III. DAMAGES

On cross-appeal plaintiffs contest on two grounds the award of $3,700 in damages, which was the calculated estimate of Budget's gross receipts from its rental of "Pygmalion" from May 1972 to December 1977. Plaintiffs ar-

gue, first, that statutory "in lieu" damages[18] are mandatory in this situation; and, second, that if statutory damages are not mandatory then the district court abused its discretion in limiting damages to the infringer's gross profits in this case. We reject both contentions.

It is true that when injury is proved but neither the infringer's profits nor the copyright holder's actual damages can be proved, statutory damages are mandatory. *See Pye v. Mitchell*, 574 F.2d 476, 481 (9th Cir. 1978); *Robert Stiwood Group LTD v. O'Reilly*, 530 F.2d 1096, 1101 (2d Cir.), *cert. denied*, 429 U.S. 848 (1976) 4 *Nimmer on Copyright*, App. 16-4 (1979). In addition, some of the dicta in *Shapiro, Bernstein & Co. v. 4636 S. Vermont Ave., Inc.*, 367 F.2d 236 (9th Cir. 1966),[19] might lead one to conclude that "in lieu" damages are also mandatory when either profits or damages but not both are proved. This circuit recently examined at length the meaning of the *Shapiro* dicta in light of *F. W. Woolworth Co. v. Contemporary*

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[18]17 U.S.C. § 101(b) provides in part that a copyright infringer shall be liable to pay:

> "* * * such damages as the copyright proprietor may have suffered due to the infringement, as well as all the profits which the infringer shall have made from such infringement, and in proving profits the plaintiff shall be required to prove sales only, and the defendant shall be required to prove every element of cost which he claims, or in lieu of actual damages and profits, such damages as to the court shall appear to be just, and in assessing such damages the court may, in its discretion, allow the amounts as hereinafter stated, * * * and such damages as shall in no other case exceed the sum of $5,000 nor be less than the sum of $250, and shall not be regarded as a penalty."

[19]"[J]udicial discretion * * * only comes into play when profits *and* damages have actually been proved, and unless they have, the court *must* apply the statutory standard. * * * Where [actual] damages and profits have not been proved the statutory limits must be applied and the trial court's only discretion lies in determining the amount (between a minimum of $250 and a maximum of $5,000) per infringement to be awarded." *Shapiro, Bernstein & Co. v. 4636 S. Vermont Ave., Inc.*, 367 F.2d 236, 240.

Arts, Inc., 344 U.S. 228 (1952).[20] We concluded that, contrary to initial appearances, *Shapiro* in fact means that "in lieu" damages are mandatory "only when *both* profits and damages have not been established." *Sid & Marty Krofft Television Productions, Inc. v. McDonald's Corp.*, 562 F.2d 1157, 1178 (9th Cir. 1977). It is not necessary to repeat that analysis here.

In *Krofft*, the jury had assessed plaintiffs' actual damages at $50,000, an amount not reflecting consideration of the infringer's profits. The district judge subsequently denied plaintiffs' motion for an accounting of defendant's profits and awarded the compensatory damages only. Our court's remand order on the issue is instructive of the law in this circuit regarding infringement damages and in particular court discretion in that regard:

> "On remand the trial court's first task is to determine, if possible, the profits of the infringers. If these profits are ascertainable, then plaintiffs are entitled to the larger of either the profits or damages, unless the district court in its discretion, awards the statutory 'in lieu' damages. If the profits are not ascertainable, then plaintiffs are entitled to the compensatory damages as found by the jury, unless the district court awards the discretionary 'in lieu' damages." 562 F.2d at 1179.

While it was unnecessary in *Krofft* to instruct for the situation where damages are unascertainable while profits are ascertained, the situation facing us, we see no reason for

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[20]The Court in *Woolworth* affirmed a *discretionary* award of in lieu damages in a situation where profits but not damages were ascertained. *Sid & Marty Krofft Television Productions, Inc. v. McDonald's Corp.*, 562 F.2d at 1178. That the choice of statutory damages in the Woolworth situation clearly lay within the discretion of the court cannot be mistaken from even a cursory reading of the opinion. *F.W. Woolworth Co. v. Contemporary Arts, Inc.*, 344 U.S. 228, 231-34 (1952).

holding, asymmetrically, that in lieu damages would be mandatory in that si vation rather than discretionary. *Accord, F.W. Woolworth Co. v. Contemporary Arts, Inc., supra.*

Plaintiffs in the instant action seek to bring their situation under the mandatory statutory damage rule by showing that the district court found that neither actual damages nor infringer's profits were ascertainable. It is undisputed that plaintiffs' actual damages are unascertainable.[21] Plaintiffs then point to the court's finding of fact that Budget's "actual profits on the use of PYGMALION are not ascertainable" as compelling an award of in lieu damages in accord with the preceding rule of law. But they take the judge's words too literally and out of context. Finding (4) continues: "defendants' gross receipts are ascertainable with reasonable certainty," and finding (7) adopts those receipts as "the actual amount of the defendants' profits." These latter findings comport with the district court's earlier memorandum opinion on the damages issue.

Plaintiffs' confusion stems in part from the meaning of the term "actual profits". It is clear from a reading of the statute[22] that the infringer's profits to which the copyright proprietor may be entitled consist of the gross receipts or sales profits from the infringing use of the plaintiff's work, which is the plaintiff's burden to establish, less any direct

[21]Janus' actual damages are apparently unascertainable for several reasons. There is no way of knowing whether Budget's customers could afford to rent the film from Janus at the latter's higher price. There is harm to the authorized distributor's reputation inasmuch as its right to exclusive distribution becomes challenged by its own customers in the face of Budget's catalog. In addition, it is alleged that Budget's advertising of "Pygmalion" has led to the unauthorized use of the film by cable and small television stations. We offer no opinion as to the propriety of including all these factors in calculating compensable damages.

[22]*See supra* note 18.

costs incurred by the defendant in connection with the unauthorized use, on which the latter party bears the burden of proof. If an infringer does not assume this burden or if its attempt to do so is found unacceptable by the court, as was the case here, then "the gross figure is left to stand as the profit factor" under 17 U.S.C. § 101(b). *F.W. Woolworth Co. v. Contemporary Arts, Inc.*, 344 U.S. at 230. Plaintiffs in such a situation gain the advantage of a higher profit figure than would otherwise occur, although they may also discover that they would have fared better in the long run if the court had deemed the profits unascertainable. To achieve the results plaintiffs here desire, they assail the method the district court used to calculate the gross receipts figure.

In order to avoid laborious search of defendants' records, plaintiffs stipulated to estimates of the number of unauthorized bookings made by Budget of the film "Pygmalion". The figures totalled 136 bookings. In the stipulation, which was filed with the court on January 18, 1978, plaintiffs agreed that the booking figures "may be used by the Court * * * on the remaining issues," primary of which was the issue of damages. Contained within the document but not stipulated to by the plaintiffs was a representation by defendants of their rental charges for the film per booking: $25 from May 1972 to October 1976, and $35 thereafter. The court eventually[23] used these rental figures to

[23]After the filing of the stipulation, the court ordered the parties to conduct any discovery necessary to assist the court in calculating the infringers' profits according to the following formula: the product of the number of bookings and the average rental fees per booking, less defendants' deductible costs. Defendants maintain that in compliance they conducted an exhaustive inspection of their records, which plaintiffs were welcome to, but did not, verify independently. This inspection apparently yielded a minimal profits figure, less costs, of $153.96. Armed with the information that the stipulated bookings figure was

(footnote continued on following page)

calculate defendants' gross receipts for the stipulated bookings, each of which was found to constitute a separate infringement, to arrive at a total of $3,700. Plaintiffs contend that, since they had not agreed to the rental amounts, as opposed to the bookings figures, the court erred in basing the gross receipts upon them. We cannot agree. The rental figures were identical to those that were advertised in Budget's catalogs for "Pygmalion". Plaintiffs have presented no reason to doubt their accuracy, and no contradictory evidence.[24] We think the district court's utilization of those figures was reasonable under the circumstances. Thus, we find that the profits figure yielded by the court's calculation was sufficiently certain to preclude applicability of the mandatory in lieu damages rule.

Plaintiffs next argue that the district court abused its discretion by awarding them the infringers' profits of $3,700 rather than statutory damages which at a minimum would amount to $34,000. They rely in part on *Sid and Marty Krofft Television Productions, Inc. v. McDonald's Corp., supra,* as supporting the proposition that the court must weigh statutory damages against infringers' profits and award the higher sum. However, what was said in *Krofft* was not that in lieu damages must be given if they benefit,

overestimated, defendants sought to withdraw the stipulation unilaterally. This attempt was unsuccessful. The court rejected their figures, including their cost calculations, and, looking anew at the stipulation, found that it had provided the information needed to measure defendants' gross receipts. Defendants no longer challenge the court's calculation of damages. This was probably a wise concession. Were we to agree with defendants' earlier argument, we would have to remand and the district court might then properly and understandably exercise its discretion to award in lieu damages rather than to limit plaintiffs' recovery to the claimed *de minimis* profits. *See F. W. Woolworth, Inc. v. Contemporary Arts, Inc., supra* note 20.

[24]If anything, it is more reasonable to suppose that the film occasionally may have been rented at a discounted price, for example, as part of a package deal, than to suppose it was ever rented at a price exceeding the listed catalog price.

but that they must not be given if they hurt plaintiffs. 542 F.2d at 1178-79 n.7.

The cases cited by pliantiffs as affirming a discretionary award of statutory damages involved rejections by district courts of *de minimis* profits of the infringers as an alternative basis of recovery. *F.W. Woolworth Co. v. Contemporary Arts, Inc., supra* (gross profits under $900); *Key West Hand Print Fabrics, Inc. v. Serbin, Inc.*, 269 F. Supp. 605, 615 (S.D. Fla. 1966) (infringer made no profit), *aff'd*, 381 F.2d 735 (5th Cir. 1967). The courts there had every reason to award higher compensation for the plaintiffs' substantial but unprovable damage than what the defendants had realized from their infringing activity. We are not faced with a similar situation in this case. The gross profits figure here can hardly be described as *de minimis*. We think the amount sufficient "to discourage wrongful conduct" without necessitating resort to in lieu damages to effectuate that purpose of copyright policy. *Woolworth*, 344 U.S. at 233.[25] We find no abuse of discretion and consequently affirm the damage award.

[25]The award of $10,000 in attorneys' fees here no doubt provided additional deterrence to would-be infringers.

IV. ATTORNEYS' FEES

The copyright statute authorizes the district court in the exercise of its discretion to award reasonable attorneys' fees to the prevailing party. 17 U.S.C. §116. This court could reverse an order allowing such fees only for abuse of discretion. *See Monogram Models, Inc. v. Industo Motive Corp.*, 492 F.2d 1281, 1288 (6th Cir.), *cert. denied*, 419 U.S. 843 (1974). While the $10,000 awarded plaintiffs in fees might be considered generous when compared with the amount recovered in damages, the fees do not appear unreasonable considering the amount of work necessitated and performed and the skill employed. *See also Key West Hand Print Fabrics*, 269 F. Supp. at 615-16. There was no abuse here.

However, we deny plaintiffs' application for allowance of additional attorney's fees on appeal. We assume counsel was familiar with the law, having made similar arguments in district court on all the issues raised on appeal. *See Monogram Models*, 492 F.2d at 1288. The appeal was not frivolous. Plaintiffs did not prevail on their cross appeal. Equity considerations lead us to permit the parties to pay their own attorneys' fees in this court. The plaintiffs are entitled to costs. Affirmed.

APPENDIX B.

Order.

United States Court of Appeals, for the Ninth Circuit.

Cyril Russell, etc., et al, Appellees, vs. Daniel A. Price, etc., et al, Defendants, vs. Albert C. Drebin, et al, Appellants. No. 77-3466, No. 78-2703, No. 78-2763.

Filed: Feb. 19, 1980.

Appeal from the United States District Court for the Central District of California, Jesse W. Curtis, District Judge, Presiding.

Before: GOODWIN and HUG, Circuit Judges, and THOMPSON*, District Judge.

Appellant Drebin's petition for rehearing is denied.

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*The Honorable Gordon Thompson, Jr., United States District Judge for the Southern District of California, sitting by designation.

APPENDIX C.

Order on Motion for Stay of Mandate (Rule 41 (b) Fed.R.App.P.).

United States Court of Appeals, for the Ninth Circuit.

Cyril Russell, etc., et al., Plaintiff/Appellees, Cross Appellants, vs. Daniel A. Price, et al., Defendants, Albert C. Drebin, et al., Defendants/Appellants, Cross Appellees. No. 77-3466) 78-2763) DC CV 75-1600.

Filed: March 4, 1980.

Upon due consideration of Defendants-Aplts. motion for stay of the mandate of this Court in the above cause pending the filing, consideration and disposition by the Supreme Court of the United States of a petition for writ of certiorari, such petition to be filed in the Clerk's Office of the Supreme Court of the United States on or before March 26, 1980.

IT IS ORDERED that the motion for stay of mandate be, and the same is hereby granted.*

Alfred Goodwin
United States Circuit Judge

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*In the event that the motion for stay of mandate and the petition for writ of certiorari are granted, then this stay will continue pending the final disposition of the case by the Supreme Court of the United States.